

**DETROIT AREA REGIONAL
TRANSPORTATION AUTHORITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name DETROIT AREA REGIONAL TRANSPORTATION AUTHORITY	County WAYNE
Audit Date 9/30/04	Opinion Date 3/16/05	Date Accountant Report Submitted to State: 3/31/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) ALAN C. YOUNG & ASSOCIATES, P.C.			
Street Address 2990 W. GRAND BLVD., SUITE 310	City DETROIT	State MI	ZIP 48202
Accountant Signature 			

DETROIT AREA REGIONAL TRANSPORTATION AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Detroit Area Regional Transportation Authority
Detroit, Michigan

We have audited the accompanying financial statements of the Detroit Area Regional Transportation Authority (DARTA), a Michigan Public Corporate as of and for the year ended September 30, 2004, as listed in the table of contents. These financial statements are the responsibility of DARTA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DARTA as of September 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 16, 2005 on our consideration of DARTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Alan C. Young; Assoc

March 16, 2005

**DETROIT AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION & ANALYSIS
SEPTEMBER 30, 2004**

As management of the DARTA, we offer this narrative overview and analysis of the financial activities of DARTA for the year ended September 30, 2004. Readers are encouraged to read it in conjunction with the accompanying basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the financial statements, which focus on the DARTA as a whole, and the notes to the financial statements, which provide additional information that is essential to gain a full understanding of the data presented in the financial statements.

The financial statements consist of the *Statement of Net Assets*, the *Statement of Revenues, Expenditures and Changes in Net Assets* and the *Statement of Cash Flows*. These statements are prepared using the full accrual basis of accounting, which is similar to that employed by businesses in the private sector.

The ***Statement of Net Assets*** presents information on all of the assets and liabilities of DARTA, with the difference between the two reported as *net assets*. Net assets can be thought of as one way of measuring the financial strength of DARTA. Increases or decreases in net assets over time may serve as a useful indicator of whether the financial condition of DARTA is improving or deteriorating.

The ***Statement of Revenues, Expenditures and Changes in Net Assets*** presents information showing how the net assets of DARTA have changed over the course of the most recent fiscal year. All changes in net assets are recognized as soon as the underlying transactions take place, regardless of the timing of the related cash flows. As a result, certain revenues and expenses reported in these statements are related to items that will only result in cash flows in future years.

The ***Statement of Cash Flows*** presents detailed information about the changes in the cash position of DARTA during the year.

The ***Notes to the Financial Statements*** provide additional information that is essential to gain a full understanding of the data presented in both the government-wide and fund financial statements and begin on page 4 of this report.

FINANCIAL OVERVIEW

It is important to recognize the mission of DARTA when analyzing its financial position. DARTA is funded by Federal, State and local grants and was created in May 2003 for the purpose of planning, coordinating and improving the delivery of public transportation in Southeast Michigan. Since this is the first financial audit of DARTA, the discussion and analysis contains no comparisons to the prior year. Future reports will include extensive financial comparisons as required by the Governmental Accounting Standards Board.

**DETROIT AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION & ANALYSIS
SEPTEMBER 30, 2004
(Continued)**

FINANCIAL OVERVIEW (Continued)

The assets of DARTA exceeded its liabilities by \$346 at September 30, 2004.

NET ASSETS

Assets

Current Assets	\$166,604
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Total Assets	\$166,604
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Liabilities and Net Assets

Current Liabilities	157,687
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Long-term Debt	8,571
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Total Liabilities	166,258
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Net Assets - Unrestricted	346
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Total Liabilities and Net Assets	\$166,604
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As indicated in the following schedule, the net assets of DARTA increased by \$346 for the year ended September 30, 2004. The increase is attributable primarily to interest income.

CHANGES IN NET ASSETS

Federal and State Grants	\$62,524
Interest Income	427
Operating Expenses	(62,605)

Net Income from Operations	346
Net Assets Beginning of Year	0

Net Assets End of Year	\$346
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**DETROIT AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION & ANALYSIS
SEPTEMBER 30, 2004
(Continued)**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - DARTA did not purchase any assets that exceeded its capitalization threshold during the year ended September 30, 2004.

Long-term Debt - DARTA's long-term debt totaled \$150,000 at September 30, 2004. The components of the total liability are presented below.

	LONG-TERM DEBT			
	Balance 10/1/2003	New Debt Issued	Debt Retired	Balance 9/30/2004
Note Payable-Detroit Renaissance Foundation	\$0	\$90,000	\$0	\$90,000
Note Payable-Detroit Regional Chamber	0	60,000	0	60,000
	<u>\$0</u>	<u>\$150,000</u>	<u>\$0</u>	<u>\$150,000</u>

Each of the notes referred to above were issued in order to raise working capital for DARTA until such time that permanent funding is in place.

Additional information regarding the long-term obligations of DARTA may be found in the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

DARTA expects to hire a full-time Chief Executive Officer and support staff during the fiscal year ending September 30, 2005. The addition of the CEO and other staff positions will allow DARTA to embark on a comprehensive regional transportation study and secure long-term funding in order to continue its mission of planning, coordinating and improving the delivery of public transportation in Southeast Michigan.

CONTACTING THE MANAGEMENT OF DARTA

This financial report is designed to provide the citizens, taxpayers, investors, creditors and others with a general overview of the finances of DARTA. Questions concerning any information contained in this report or requests for additional information should be addressed to the attention of the Office Administrator at the following address: Detroit Regional Transportation Authority, One Woodward Ave, P.O. Box 33840, Detroit, MI. 48232-0840. Requests can also be made by phone at 313-596-0440.

**DETROIT AREA REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004**

ASSETS

Current Assets:

Cash & Cash Equivalents (Note 2)	\$144,309
Accounts Receivable	<u>22,295</u>
Total Current Assets	<u><u>\$166,604</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	16,258
Current Portion of Long-Term Debt (Note 3)	<u>141,429</u>
Total Current Liabilities	<u>157,687</u>

Long-Term Debt (Note 3)	<u>8,571</u>
Total Liabilities	<u>166,258</u>

Net Assets - Unrestricted	<u>346</u>
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Total Liabilities and Net Assets	<u><u>\$166,604</u></u>
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The notes to the financial statements are an integral part of this statement.

**DETROIT AREA REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND NET ASSETS
YEAR ENDED SEPTEMBER 30, 2004**

REVENUE

Operating Revenues:

Federal Grants	\$29,939
State Grants	32,585
Total Operating Revenues	<u>62,524</u>

EXPENSES

Operating Expenses:

Contract Services	54,929
Equipment	2,305
Classified Advertising	1,686
Filing Fees	800
Meeting Expenses	453
Miscellaneous	40
Office Supplies	589
Online Services	300
Postage & Delivery	750
Telephone	585
Bank Service Charges	168
Total Operating Expenses	<u>62,605</u>

Operating Income	(81)
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Nonoperating Revenues (Expenses):

Interest Income	427
Total Nonoperating Revenue (Expenses)	<u>427</u>

Increase (Decrease) in Net Assets	346
Net Assets-Beginning of Year	<u>0</u>
Net Assets-End of Year	<u><u>\$346</u></u>

The notes to the financial statements are an integral part of this statement

**DETROIT AREA REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2004**

CASH FLOWS FROM OPERATIONS

Federal Grant Receipts	\$7,644
State Grant Receipts	32,585
Payments	(46,347)
Interest Income	427
Net Cash Provided by Operating Activities	<u>(5,691)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Long-Term Debt	150,000
Net Cash Used in Capital and Related Financing Activities	<u>150,000</u>

Net Increase (Decrease) in Cash and Cash Equivalents 144,309

Cash and Cash Equivalents, Beginning of Year 0

Cash and Cash Equivalents, End of Year \$144,309

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$346
Adjustment to Reconcile Operating Income to Net Cash Flows from Operating Activities	
Change in Accounts Receivable	(22,295)
Change in Accounts & Payable	16,258
Total Adjustment	<u>(6,037)</u>
Net Cash Provided by Operating Activities	<u><u>(\$5,691)</u></u>

The notes to the financial statements are an integral part of this statement.

**DETROIT AREA REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Detroit Area Regional Transportation Authority (DARTA) was incorporated in 2003 as a Michigan Public Body Corporate. It was created through an interlocal and intergovernmental agreement by and among the City of Detroit, Regional Transit Coordinating Council and the Suburban Mobility Authority for Regional Transportation for the purpose of implementing the powers, privileges, and authority of each of the Parties, by coordinating effective and efficient public transportation in Southeast Michigan, thereby enhancing economic development and quality of life in the Region.

The Authority shall carry out the common powers, privileges, and authorities of the City of Detroit and SMART to operate, maintain, replace, improve, extend, and contract for public transportation facilities, including, but not limited to, controlling, operating, administering, and exercising the franchise of public transportation facilities.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – For State and Local Governments*, issued in June 1999. The Detroit Area Regional Transportation Authority follows the "business-type" activities reporting requirements of GASB Statement No. 34 that provides a comprehensive look at the Authority's financial activities.

Basis of Accounting

The Detroit Area Regional Transportation Authority follows the rules promulgated by the Governmental Accounting Standards Board. Additionally, the Detroit Area Regional Transportation Authority follows all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) issued on or before November 30, 1989, unless pronouncements conflict with or contradict GASB. The periodic determination of revenues earned, expenses incurred, and net income is appropriate for management control and accountability; therefore, the proprietary fund model is followed, and the full accrual basis of accounting is used.

DETROIT AREA REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are valued at their fair value plus accrued interest in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

2) CASH AND CASH EQUIVALENTS

The Organization's cash and cash equivalents as of September 30, 2004 are maintained in one bank account at a single institution.

This balance is insured by the Federal Deposit Insurance Corporation up to \$100,000. At September 30, 2004, the uninsured portion of this balance was \$44,309.

3) NOTES PAYABLE

The following is a summary of the outstanding debt of the Detroit Area Regional Transportation as of September 30, 2004:

	<u>Ending Balance</u>
Notes payables to Detroit Renaissance Foundation bearing no interest so long as no default shall have occurred. Monthly payments shall begin in October, 2004 payment is due no later than April 30, 2005.	<u>\$90,000</u>
Due Within One Year	<u><u>\$90,000</u></u>

DETROIT AREA REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

3) NOTES PAYABLE (Continued)

	<u>Ending Balance</u>
Notes payables to Detroit Regional Chamber of Commerce bearing no interest so long as no default shall have occurred. Monthly payments shall begin in April, 2005 and full payment is due no later than October 30, 2005.	\$60,000
Due Within One Year	<u>51,429</u>
Total Long-Term Debt	<u><u>\$8,571</u></u>

4) SUBSEQUENT EVENT

In December, 2004, \$30,000 of the outstanding note payable with Detroit Renaissance Foundation and \$30,000 of the outstanding note payable with the Detroit Regional Chamber of Commerce were forgiven and converted to a grant.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT
DISCUSSION & ANALYSIS (MD&A)**

Alan C. Young & Associates, P.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS AND INTERNAL CONTROL – BASIC FINANCIAL STATEMENTS

To the Board of Directors of
Detroit Area Regional Transportation Authority
Detroit, Michigan

We have audited the financial statements of the Detroit Area Regional Transportation Authority (DARTA) as of and for the year ended September 30, 2004 and have issued our report thereon dated March 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether DARTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered DARTA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

Alan C. Young & Assoc.

March 16, 2005